

Memorandum

To: Panel Members

Date: December 13, 2001

From: Creighton Chan, Manager
Peter DeMauro, General Counsel

Analyst: Diane Woodside

Subject: One-Step Agreement for **Trend Technologies, Inc.**
(www.trendtechnologies.com)

CONTRACTOR:

- Training Project Profile: Retraining: companies w/out-of-state competition
- Legislative Priorities: Stimulating Exports / Imports
Promotion of California's Manufacturing Workforce
Moving to a High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 5,000
 - In California: 850
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$1,130,753
- Substantial Contribution: \$0
- Total ETP Funding: \$1,130,753
- In-Kind Contribution: \$2,163,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Santa Clara And Alameda

- Duration of Agreement: 24 Months

TRAINING PLAN:

- Average Cost Trainee: New Hire: Retrainee: \$1,716
- Type(s) of Training: Manufacturing, Computer, VESL, and Continuous Improvement Skills
- Number to be retained: New Hire: 0 Retrainee: 659
- Range of hours: 65-170
- Range of hourly wages: \$11.58 to \$51.72
- Prevalent hourly wage: \$12.57
- Weighted average hourly wage: \$16.14
- Health benefits used to meet ETP minimum wage: Yes. Health benefits of \$1.78/hr. may be added to the base hourly wage of trainees in Job Numbers 3, 4, and 5 to meet the ETP minimum wage requirement for Santa Clara and Alameda Counties.

SUBCONTRACTORS:

- National Training Systems, Inc., (Mission Viejo, California) \$147,483 for administration services and \$707,169.23 for Manufacturing, Computer, VESL, and Continuous Improvement Skills classroom/laboratory training; and
- Arsin, Inc. (San Jose, California) for an amount not to exceed \$1,000,000 for Computer Skills (ERP) training.

THIRD PARTY SERVICES:

National Training Systems, Inc. completed the application and assisted in the training plan design including a training assessment for a flat fee of \$37,000.

NARRATIVE:

Trend Technologies, incorporated in 1979, is a manufacturer of enclosures for the computer, networking, telecommunications, peripherals and consumer products industries. Every piece of electronic equipment is housed in some kind of metal and/or plastic enclosure from the plastic casings of cell phones to the large metal enclosures for mainframe computers. Trend builds these enclosures. The company specializes in a full service approach offering design/engineering, tooling, molding, stamping, supplier management, assembly, and testing to customers worldwide including Microsoft, Dell Computer, Oakley Sunglasses,

NARRATIVE: (continued)

Sun Microsystems, Cisco, and Toyota Motor. Trend Technologies employs 850 Californians on a full-time basis; 700 of these workers are employed at its three sites in San Jose and Hayward. The remaining California workforce is located in Chino, California.. This project proposes to train workers in San Jose and Hayward because that is where the assessment of the workforce has taken place and the need has been identified.

Late in 2000, Trend Technologies acquired the operations of Cowden Metal in south San Jose and Hayward, with the strategic vision to handle the manufacture of electronic enclosures from “cradle to -stop shop for the electronics industry. In August of 2001, Trend announced plans to consolidate the plastic injection molding capabilities of its north San Jose plant into the metal forming facility located at south San Jose the final stage of the strategic plan associated with the acquisition of Cowden Metals. The new facility, to be completed by January 1, 2002 and located in San Jose, will be a 230,000 square foot plant combining plastic, metal, painting, assembly, and test operations, making it the largest fully integrated enclosure facility on the West Coast. There will be no downsizing of the workforce as a result of the consolidation.

Trend Technologies is requesting the Panel’s assistance to train 659 employees in order to become a high-performance workplace. By encouraging employee involvement, greater teamwork, and maximum communication across all shifts and between departments, Trend will ensure a seamless integration without service interruptions for its customers or a decrease in manufacturing capabilities during the consolidation process. In addition, the company has been actively engaged in an analysis of its processes and has determined that extensive cost savings can be realized by increased employee involvement in decision-making and problem solving. To achieve strategic performance improvement goals at Trend, managers, supervisors, leads, and mold technicians will attend customized ETP-funded training focused on waste reduction techniques, and leadership skills needed in a high-performance workplace.

All employees will receive Team Problem Solving Skills in an effort to build communication levels among workers across all shifts, and to develop process improvement strategies to help reduce costs and improve performance. Quality control technicians will receive Statistical Process Control and Blueprint Skills to achieve greater compliance to customer expectations and reduce scrap. Maintenance and Tech Center employees will receive specialized training in Process Improvement Events and Technical Skills. Frontline workers have been designated to receive Technical and Manufacturing Skills training in order to standardize procedures across shifts and improve on-time delivery and customer satisfaction. Employees that have been found to have deficiencies in language skills that could prove counterproductive to efficiency and customer satisfaction will attend Vocational English classes allowing them to participate more fully in the communication and decision making process. In addition, the company has recently completed plans to acquire an Enterprise Resource Planning system (ERP). All heavy computer users across company departments will be required to attend extensive training on the new system for effective implementation.

Supplemental Nature of Training

The primary focus of the proposed ETP training will be to develop the infrastructure and communication systems to maintain customer satisfaction, to reduce waste, and implement a system for continuous improvement. For the training to be effective, it must be delivered across all departments and shifts. Trend Technologies does not have the budget or staff to institute the comprehensive training required to achieve measurable targets for process improvement and thus needs Employment Training Panel funding

Supplemental Nature of Training (continued)

for immediate and long-term success. Historically, the company has provided training to isolated pockets of employees, without involving a significant portion of the population. Trend's previous training has consisted primarily of informal, on-the-job training. In contrast, this training plan is comprised primarily of classroom/laboratory training ranging from 65-170 class/lab hours per trainee. SOST is limited to two Job numbers of 20 SOST hours per trainee.

As part of its dedication to ensuring a successful ETP program, Trend has committed to paying its employees overtime wages to ensure adequate production is met during the classroom portion of their training. The training outlined in this proposal is supplemental because there is no team training and no process improvement training at Trend that resembles the proposed training. For instance, Trend has not encouraged decentralized decision-making, employee involvement in process improvement, or training to improve plant communication and performance. Prior to this proposal, training had been related to "incidents" such as accidents, customer rejects, bad production runs of parts, etc. The delivery of previous training efforts has been primarily focused on providing small amounts of training only when necessary. For example, when data collection software was installed to track rejected parts, the employees only received enough training to make the system operable. They did not receive training in statistics, analysis and how to interpret control charts. The ETP-funded training will provide this training.

Further, the company states that the proposed training would not occur without ETP funds. Trend Technologies historic training budget for job specific and safety-related training has been \$125,000 for the past two years. Prior to that, the company did not employ a Manager of Training and Development. The existing budget is insufficient to support the comprehensive plan, the scope, and intensity of the proposed training plan. If the ETP funded training program is successful, Trend Technologies is committed to devoting approximately 4 percent of employee time to ongoing training and implementation of continuous process improvement and technical skills after the completion of this training program.

In-Kind Contribution

Trend Technologies, Inc. estimates training and training-related costs not covered by ETP funds will total \$2,163,000 including trainee wages to be paid during training of \$1,663,000; and vendor costs for the ERP training of \$500,000. These vendor costs are greater than the ETP fixed-fee reimbursement amount.

COMMENTS:

The company has certified in writing that no senior level managers or executive staff who set company policy are included in the ETP agreement.

PROPOSED ACTION:

Staff recommends that the Panel approve this One-step Agreement if funds are available and the project meets Panel priorities. This recommendation is based on the company's statement that this training will result in improved company performance, higher skill levels and more long-term job security for all of its workers. In addition, this proposed training will accelerate this manufacturer's efforts to become a high performance workplace and maintain its viability in the California economy.

Training Data									(c) Payment Schedule				
1	2	3	4	5 (a) Cls/Lab Video- conf. Hours	6 CBT Hours	7 (b) SOST Hours	8 Cost Per Trainee	9 Total SOST Trainer Hrs.	10 Hrs. to Enroll/ Pay 1 Enroll	11 Pay 2 Compl	12 Pay 3 Hired	13 Pay 4 After 90 Days	14 (d) Wage After Reten- tion
Job #	Occupations	Type of Training	No. Retain										
1	Manager	Direct-Employer, Retrainees <i>Menu: Trainees will receive one or more of the following:</i>	12	128			\$1,664		8	\$ 416.00	\$ 832.00	\$ -	\$ 416.00
687		<i>Continuous Improvement Manufacturing Skills</i>		128									\$31.48 - \$39.00
2	Supervisor, Lead Person, Mold Technician, Facilitator/Leader	Direct-Employer, Retrainees <i>Menu: Trainees will receive one or more of the following:</i>	14	170			\$2,210		8	\$ 552.50	\$1,105.00	\$ -	\$ 552.50
687		<i>Continuous Improvement Manufacturing Skills</i>		170									\$12.18 - \$20.23
3	Supervisor, Lead Person, Mold Technician, Quality Control Technician	Direct-Employer, Retrainees <i>Menu: Trainees will receive one or more of the following:</i>	50	150			\$1,950		8	\$ 487.50	\$ 975.00	\$ -	\$ 487.50
687		<i>Continuous Improvement Manufacturing Skills</i>		150									*\$11.58 - \$51.72

(a)Advanced Technology must be provided as class/lab.

(b)Figures for calculation purpose only.

(c)For Welfare to Work: Pay 2=50% Completion hrs. Pay 3=100% Completion hrs.

(d)Wages by occupation on Comment Page.

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Job #	Occupations	Type of Training	No. Retain										
4	Operator, Grinder, Inspector, Production Technician, Stockperson, Administrative Staff	Direct-Employer, Retrainees <i>Menu: Trainees will receive one or more of the following:</i>	251	140		20	\$1,980	502	8	\$ 495.00	\$ 990.00	\$ -	*\$11.58 - \$15.34
687		<i>Continuous Improvement Manufacturing Skills VESL</i>		100		20		502					
				40									
5	Operator, Grinder, Inspector, Production Technician, Stockperson, Administrative Staff	Direct-Employer, Retrainees <i>Menu: Trainees will receive one or more of the following:</i>	269	100		20	\$1,460	538	8	\$ 365.00	\$ 730.00	\$ -	*\$11.58 - \$15.34
687		<i>Continuous Improvement Manufacturing Skills</i>		100		20		538					
6	Customer Service Representative	Direct-Employer, Retrainees <i>Menu: Trainees will receive one or more of the following:</i>	9	124			\$1,612		8	\$ 403.00	\$ 806.00	\$ -	\$21.22 - \$46.86
687		<i>Continuous Improvement Manufacturing Skills</i>		124									

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Job #	Occupations	Type of Training	No. Retain										
7	Accounting Staff, Engineering Associate	Direct-Employer, Retrainees <i>Menu: Trainees will receive one or more of the following:</i>	14	116			\$1,508		8	\$ 377.00	\$ 754.00	\$ -	\$ 377.00
687		<i>Continuous Improvement Computer Skills</i>		116									\$21.22 - \$51.72
8	Auxiliary Equipment Technician, Maintenance Person, Technical Center Associate	Direct-Employer, Retrainees <i>Menu: Trainees will receive one or more of the following:</i>	22	130			\$1,690		8	\$ 422.50	\$ 845.00	\$ -	\$ 422.50
687		<i>Continuous Improvement Manufacturing Skills</i>		130									\$12.18 - \$23.53
9	Manager, Engineer	Direct-Employer, Retrainees <i>Menu: Trainees will receive one or more of the following:</i>	5	96			\$1,248		8	\$ 312.00	\$ 624.00	\$ -	\$ 312.00
687		<i>Continuous Improvement Computer Skills</i>		96									\$23.42 - \$39.00
10	Supervisor	Direct-Employer, Retrainees <i>Menu: Trainees will receive one or more of the following:</i>	5	105			\$1,365		8	\$ 341.25	\$ 682.50	\$ -	\$ 341.25
687		<i>Continuous Improvement Manufacturing Skills Computer Skills</i>		105									\$23.42 - \$51.72

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Job #	Occupations	Type of Training	No. Retain										
11	Manager, Supervisor	Direct-Employer, Retrainees	8	65			\$845		8	\$ 211.25	\$ 422.50	\$ -	\$ 211.25
		<i>Menu: Trainees will receive one or more of the following:</i>		65									\$23.42 - \$39.00
687		<i>Continuous Improvement Computer Skills</i>											

Contract Totals

Program Cost		\$1,130,753	Total to be Retained	659
Substantial Contribution (___%)	(-)	\$0		
Multiple-Empl. Support (___%)	(+)	\$0		
TOTAL ETP Funding	(=)	\$1,130,753		

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Turnover Rate	% of Mgrs. & Sups. to be trained		Health Benefits Inc. in Wage?		
10.0%	N/A		Yes*		

Location of training: All training will occur on company premises in San Jose and Hayward during work hours.

Ratios: The ratio of trainers to trainees for class/lab training shall not exceed 1:20 for retrainees.

*If Health Benefits is "YES", please explain: Employer paid health benefits (medical, dental, and vision) of \$1.78 per hour may be added to the base hourly wage for trainees in Job Numbers 3, 4, and 5 to meet the ETP minimum hourly wage of \$11.54 for Santa Clara and Alameda Counties.